

**Item No. 9.1.2**  
**Audit & Finance Standing Committee**  
**March 5, 2014**

**TO:** Councillor Bill Karsten, Chair, and Members of Audit & Finance Standing Committee

Original Signed

**SUBMITTED BY:** \_\_\_\_\_  
Greg Keefe, CMA, Director of Finance & ICT, CFO

**DATE:** February 5, 2014

**SUBJECT:** Write-off of Uncollectible Accounts

**ORIGIN**

Staff and HRM Charter requirement.

**LEGISLATIVE AUTHORITY**

Section 42 of the Halifax Regional Municipality (HRM) Charter requires that;

The Treasurer shall promptly advise Council of

- (a) all moneys due to the Municipality that the Treasurer considers cannot reasonably be collected after pursuing all reasonable avenues of collection; and
- (b) the reasons for the belief that such moneys cannot be collected, and the Council may write off the amounts determined to be uncollectible.

**RECOMMENDATION**

It is recommended that the Audit and Finance Standing Committee recommend to Halifax Regional Council that:

1. The business occupancy tax accounts in the amount of \$44,374.87 comprised of \$29,574.95 principal and \$14,799.92 interest as detailed in Schedule 2 be formally written out of the books of account;
2. The general revenue accounts in the amount of \$7,403.82 comprised of \$7,403.82 principal and \$0.00 interest as detailed in Schedule 3 be formally written out of the books of account;
3. The real property tax accounts in the amount of \$1,161.15 comprised of \$1,053.69 principal and \$107.46 interest as detailed in Schedule 4 be formally written out of the books of account;

**BACKGROUND**

The HRM Charter requires that all accounts considered uncollectible and which are to be permanently removed from the accounts of the HRM be approved by Council. Administrative Order 18, The Revenue and Collections Policy, section 5(g) requires staff to provide Council with a write-off report at least once per year.

The last write-off report to Council was on December 3, 2013.

**DISCUSSION**

Each year the provision for losses on accounts is budgeted in the operating fund as mandated by the HRM Charter. The HRM Charter section 93(1) – (2b) requires that:

93 (1) The Council shall make estimates of the sums that are required by the Municipality for the fiscal year.

(2) The estimates shall include the probable revenue from all sources other than taxes for the fiscal year and make due allowance for

(a) the abatement and losses that might occur in the collection of the taxes; and

(b) taxes for the current fiscal year that might not be collected.

This provision is accumulated each year in the valuation allowance account in order to offset on the balance sheet the value of the receivables recorded in the books of account. In this way, and in accordance with legislation and with generally accepted accounting practices, there is

recognition that not all accounts billed will be collectible.

**Business Occupancy Account Write-offs:**

Fiscal 2012-13 was the last year for business occupancy tax billings. Our current recommended write-offs for business occupancy, (\$44,374.87), are for companies that are defunct and/or bankrupt. Since the phase-out of business occupancy tax in 2006, HRM has billed \$117.8M in revenues and has written-off \$2.4M, for an uncollectible rate of 2%. With only \$10,000 remaining in business occupancy receivables, Staff will continue collection efforts, as the companies that make up the remaining receivable balances are active companies.

**General Revenue:**

General Revenue charges being recommended for write-off, (\$7,403.82), are for miscellaneous and recreation charges related to bankruptcies, defunct companies or inaccessible entities/persons that have been deemed uncollectible.

**Real Property:**

The amount of real property charges, (\$1,161.15), being recommended for write-off is for amounts related to residential mobile home accounts.

**Write-off and Collection KPI's**

<b><u>Key Performance Indicator (KPI)</u></b>	<b>Fiscal 2012-13 Actuals</b>	<b>Fiscal 2013-14 Forecast</b>
Total Write-offs as a % of Total Revenue	<b>0.06%</b>	<b>0.06%</b>
Total Write-offs as a % of Billed Revenue	<b>0.08%</b>	<b>0.07%</b>
Total Uncollected Taxes as a % of Current Year Tax Levy	<b>6.2%</b>	<b>7.0%</b>
Current Year Uncollected Taxes as a % of Current Year Tax Levy	<b>4.2%</b>	<b>4.9%</b>
Tax Write-offs as a % of Total Tax Revenue	<b>0.03%</b>	<b>0.07%</b>
General Revenue Write-offs as a % of Total General Revenue	<b>0.20%</b>	<b>0.07%</b>

Schedules 5, 6 and 7 illustrate trends with respect to current and past write-off reports.

**FINANCIAL IMPLICATIONS**

Each year an allowance for bad debt, the valuation allowance, is calculated based on estimates of

amounts outstanding that may be uncollectible in future years. Accounts proposed for write-off in this report have been 100% provided for in the annual valuation allowance expense.

<b>Account Type</b>	<b>Write-off Amount</b>	<b>Allowance Account</b>	<b>Bal Jan 31, 2014</b>
General Revenue	\$7,403.82	2525 – Allowance Other	-\$21,893,062
Real Property	\$1,161.15	2521 – Allowance Tax	-\$2,219,151
Business Occupancy	\$44,374.87	2521 – Allowance Tax	-\$2,219,151

**COMMUNITY ENGAGEMENT**

N/A

**ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

Staff is not proposing any alternatives

**ATTACHMENTS**

Schedule 1 - Summary of write-offs

Schedules 2, 3, 4 - Write-off accounts and explanations

Schedules 5, 6, & 7 - Write-off statistics

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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by : Jerry Blackwood, CGA, Manager of Revenue 490-6470

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**SCHEDULE 1: WRITE OFF SUMMARY 2014**

<b>CUSTOMER TYPE</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
Business Occupancy Taxes	\$ 44,374.87	\$ 29,574.95	\$ 14,799.92
General Revenues	\$ 7,403.82	\$ 7,403.82	\$ -
Real Property Taxes	\$ 1,161.15	\$ 1,053.69	\$ 107.46
<b>Total Write-off Amount</b>	<b>\$ 52,939.84</b>	<b>\$ 38,032.46</b>	<b>\$ 14,907.38</b>

**SCHEDULE 2: BUSINESS OCCUPANCY ACCOUNTS**

ACCT	ACCT NAME	TOTAL DUE	PRINCIPAL	INTEREST	BILL YEAR	WRITE OFF REASON
10119911	Garrys Transmission	\$ 8,135.52	\$ 5,146.87	\$ 2,988.65	2008-2011	Warrant Served - Business Closed
09652833	MIT Corp.	\$ 7,849.05	\$ 4,793.56	\$ 3,055.49	2006-2010	Warrant Served - Business Closed
08778515	Nooks & Crannies General	\$ 5,859.73	\$ 3,642.23	\$ 2,217.50	2004-2009	Business Closed - Collect Agency unable to collect
10093821	Power Post Ltd.	\$ 3,930.37	\$ 2,661.87	\$ 1,268.50	2008-2010	Bankruptcy
08704031	Cabinets Concepts	\$ 2,573.39	\$ 1,733.18	\$ 840.21	2008-2009	Warrants Served - Business Closed
08793573	Oxford Laundromat	\$ 2,359.22	\$ 1,587.90	\$ 771.32	2007-2009	Business Sold - Unable to located prev. owner
09792007	Big Papa's Barber Shop	\$ 1,764.00	\$ 992.80	\$ 771.20	2005-2009	Business Closed - Collect Agency unable to collect
10251516	Beach Bargains	\$ 1,707.66	\$ 1,155.60	\$ 552.06	2009	Bankruptcy
08762317	Future Tailor Shop	\$ 1,588.75	\$ 1,588.75	\$ -	2004-2014	Bankruptcy
10070481	Rand Auto Electric	\$ 1,401.63	\$ 1,049.34	\$ 352.29	2009-2011	Warrant Served - Bankrupt
07824122	Island Ink Jet	\$ 1,199.21	\$ 1,027.23	\$ 171.98	2006-2007	Collection Agency - Not able to Locate
10152143	Secure Transit	\$ 994.98	\$ 661.59	\$ 333.39	2009-2011	Warrant Served - Business Closed
09652930	L M Landscape Serv.	\$ 976.00	\$ 746.01	\$ 229.99	2006-2007	Business Closed - Collect Agency unable to collect
08761493	Corner Pocket	\$ 877.85	\$ 597.74	\$ 280.11	2009-2011	Business Closed - Bankrupt
10222362	Java Roasting Co.	\$ 749.55	\$ 497.83	\$ 251.72	2007-2009	Business Sold - Unable to located prev. owner
10158400	Concierge Services	\$ 577.03	\$ 378.66	\$ 198.37	2009	Business Closed - Collect Agency unable to collect
10162475	3225984 Nova Scotia Ltd	\$ 551.03	\$ 390.03	\$ 161.00	2009-2011	Warrant Served - Business Closed
08795088	All Points Massage	\$ 514.16	\$ 341.05	\$ 173.11	2009	Warrant Served - unable to locate business
10222311	Adventus Interactive	\$ 392.95	\$ 333.32	\$ 59.63	2009	Warrant Served - Bankrupt
08773661	Olympic Laundry	\$ 372.79	\$ 249.39	\$ 123.40	2009	Business Sold - Unable to located prev. owner
<b>TOTALS:</b>		<b>\$ 44,374.87</b>	<b>\$ 29,574.95</b>	<b>\$ 14,799.92</b>		

**SCHEDULE 3: GENERAL REVENUE ACCOUNTS**

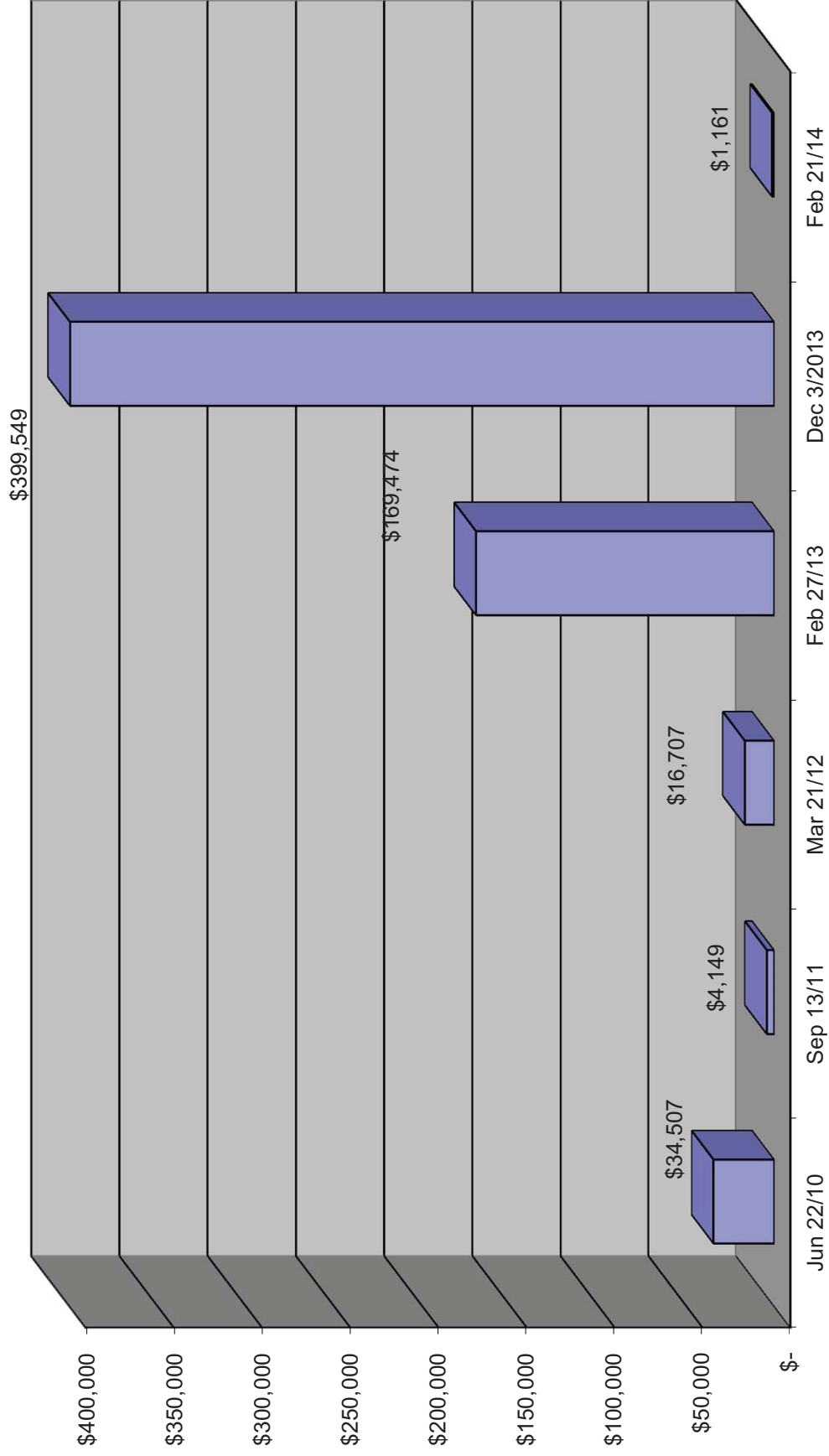
ACCT	ACCT NAME	TOTAL DUE	PRINCIPAL	INTEREST	BILL YEAR	WRITE OFF REASON
GEN00800038	Stella Sutts	\$ 3,426.12	\$ 3,426.12	\$ -	2012	Uncollectable -Insurance Claim - Public Trustee Client
209-8855	Lanata Oba	\$ 780.00	\$ 780.00	\$ -		Unable to collect - cannot locate client
802-5343	Joanne Harris	\$ 575.00	\$ 575.00	\$ -		Unable to collect - cannot locate client
435-0495	Tesea Broks	\$ 540.00	\$ 540.00	\$ -		Unable to collect - cannot locate client
404-7555	Crystal Smith	\$ 320.00	\$ 320.00	\$ -		Unable to collect - cannot locate client
818-1971	Tina Strangward	\$ 260.00	\$ 260.00	\$ -		Unable to collect - cannot locate client
469-0087	Kingsley Johnson	\$ 164.00	\$ 164.00	\$ -		Unable to collect - cannot locate client
431-0859	Krista Taylor	\$ 120.00	\$ 120.00	\$ -		Unable to collect - cannot locate client
405-7054	Linda Proctor	\$ 100.00	\$ 100.00	\$ -		Unable to collect - cannot locate client
433-5735	Pauline Glasgow	\$ 85.00	\$ 85.00	\$ -		Unable to collect - cannot locate client
GEN00401233	Krista Simon	\$ 80.00	\$ 80.00	\$ -	2012	NSF - Uncollectable - Collection Action
489-9949	Krista Watt	\$ 73.00	\$ 73.00	\$ -		Unable to collect - cannot locate client
462-0933	Shawn Cain	\$ 67.50	\$ 67.50	\$ -		Unable to collect - cannot locate client
GEN00401106	G Lounge	\$ 60.00	\$ 60.00	\$ -	2011	NSF - Business Closed
444-7117	Myra Beals	\$ 50.00	\$ 50.00	\$ -		Unable to collect - cannot locate client
209-2127	Tamara Brown	\$ 50.00	\$ 50.00	\$ -		Moved - Unable to collect
565-6429	ACORN	\$ 46.20	\$ 46.20	\$ -		Unable to collect - cannot locate client
GEN00401163	Werth Homes Import	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN0001157	Benjamin Marsh	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401145	Tammy Paulin	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401150	Kenneth Tucker	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401142	Atherton Legal Serv.	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401140	Kathleen Doucette	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401125	Andrea Bissonnette	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401118	Nadine Blinn	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401166	Tristan Mills	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401182	Philip Calvert	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401197	William Ferguson	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401201	William O'Farrell	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
GEN00401349	Yahya Funayyis	\$ 40.00	\$ 40.00	\$ -	2012	NSF - Uncollectable - Collection Action
579-2915	Tomica Beals	\$ 40.00	\$ 40.00	\$ -		Unable to collect - cannot locate client
434-3724	Star Colley	\$ 20.00	\$ 20.00	\$ -		Unable to collect - cannot locate client
469-4562	Alicia Thompson	\$ 15.00	\$ 15.00	\$ -		Unable to collect - cannot locate client
579-4279	Joanne Pakier	\$ 12.00	\$ 12.00	\$ -		Unable to collect - cannot locate client
<b>TOTALS:</b>		<b>\$ 7,403.82</b>	<b>\$ 7,403.82</b>	<b>\$ -</b>		

**SCHEDULE 4: REAL PROPERTY TAX ACCOUNTS**

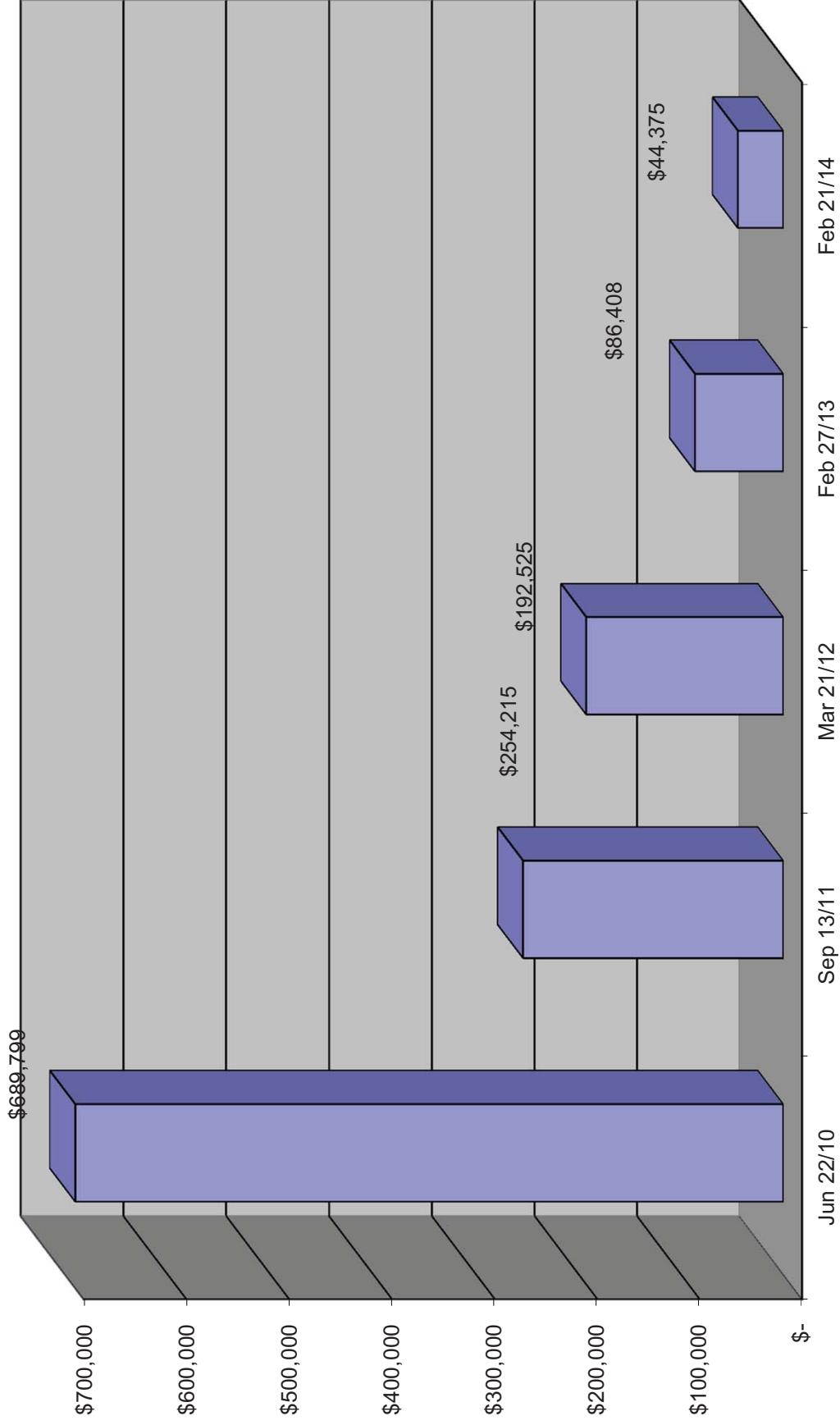
<b>ACCT</b>	<b>ACCT NAME</b>	<b>TOTAL DUE</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>BILL YEAR</b>	<b>WRITE OFF REASON</b>
05480868	Steven Beaver	972.96	869.85	103.11	2011-2013	Mobile Moved - Unknown Location
05634806	Paul Beaver	188.19	183.84	4.35	2011-2012	Mobile Moved in 2011 - unable to locate
<b>TOTAL</b>		<b>\$ 1,161.15</b>	<b>\$ 1,053.69</b>	<b>\$ 107.46</b>		



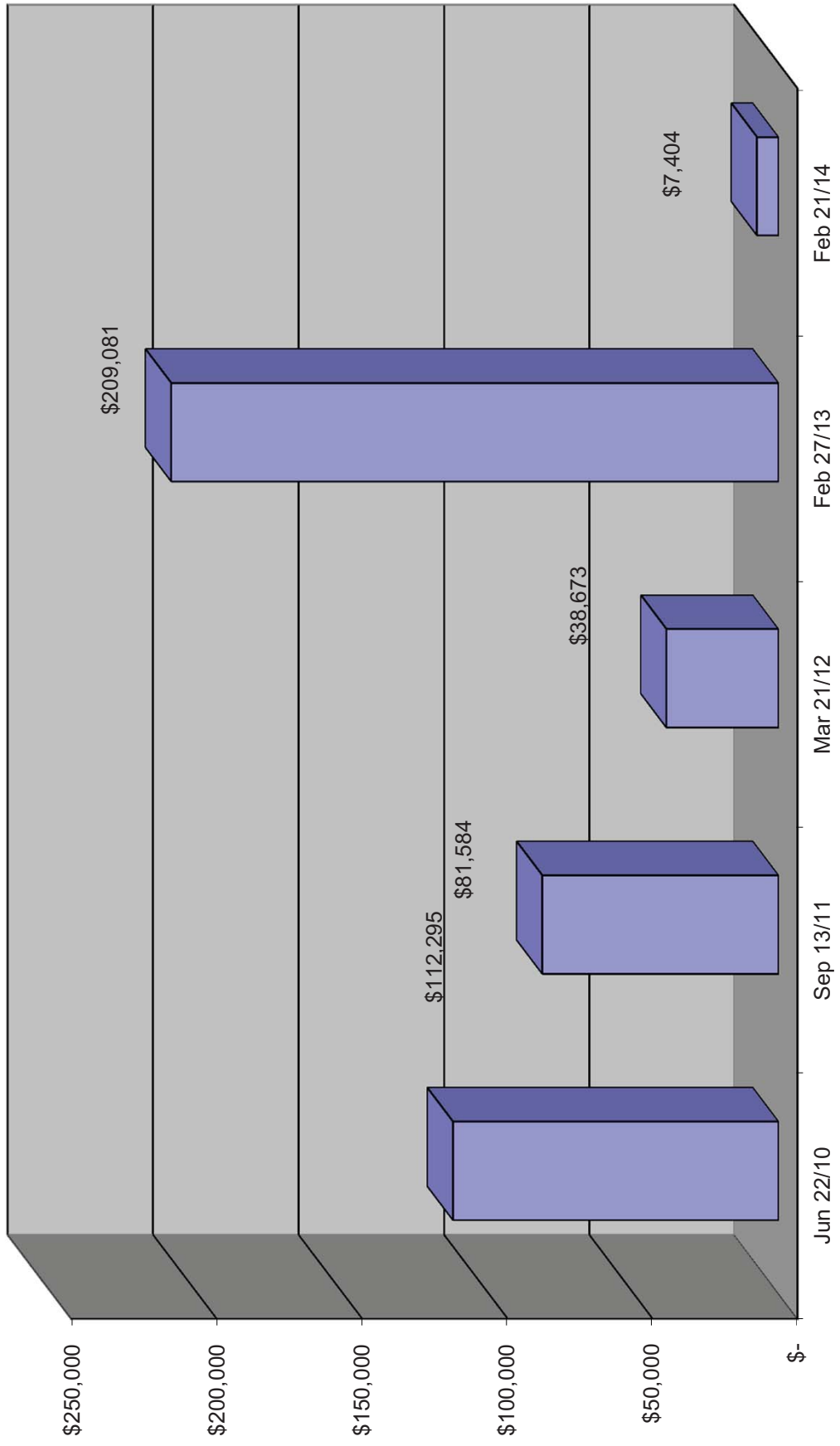
**Schedule 5: Total Real Property Write-offs (5 year History)  
(including interest)**



**Schedule 6: Total Business Occupancy Write-offs 5 Year History  
(including interest)**



**Schedule 7: Total General Revenue Write-offs 5 Year History  
(including interest)**



**Business Occupancy Write-offs (Past 5 years)**

<b>Date</b>	<b>Total Write-off</b>
Jun 22/10	\$ 689,799
Sep 13/11	\$ 254,215
Mar 21/12	\$ 192,525
Feb 27/13	\$ 86,408
Feb 21/14	\$ 44,375

**Real Property write-offs (past 5 years)**

<b>Date</b>	<b>Total Write-off</b>
Jun 22/10	\$ 34,507
Sep 13/11	\$ 4,149
Mar 21/12	\$ 16,707
Feb 27/13	\$ 169,474
Dec 3/2013	\$ 399,549
Feb 21/14	\$ 1,161

**General Revenue Write-offs (Past 5 years)**

<b>Date</b>	<b>Total Write-off</b>
Jun 22/10	\$ 112,295
Sep 13/11	\$ 81,584
Mar 21/12	\$ 38,673
Feb 27/13	\$ 209,081
Feb 21/14	\$ 7,404